

RESOLUTION 33-2008

RESOLUTION RELATING TO \$80,000 RURAL SPECIAL IMPROVEMENT DISTRICT NO. 2506 BOND; FIXING THE FORM AND DETAILS AND PROVIDING FOR THE EXECUTION AND DELIVERY THEREOF AND SECURITY THEREFOR

BE IT RESOLVED by the Board of County Commissioners (the “Board”) of Jefferson County, Montana (the “County”), as follows:

Section 1. Recitals. It is hereby found, determined and declared as follows:

1.01. Resolution of Intention. By Resolution No. 17-2007, adopted July 3, 2007 (the “Resolution of Intention”), this Board declared its intention to create Rural Special Improvement District No. 2506 (the “District”), for the purpose of making special improvements for the special benefit of the District. The Resolution of Intention designated the number of the District, described the boundaries thereof, stated whether the District was an extended district and stated the general character of the improvements to be made (the “Improvements”) and an approximate estimate of the costs thereof, in accordance with the provisions of Montana Code Annotated, Title 7, Chapter 12, Part 21, as amended (the “Act”). By the Resolution of Intention this Board also declared its intention to cause the cost and expense of making the improvements specially benefiting the District to be assessed against the properties included within the boundaries thereof in accordance with one or more methods of assessments authorized in Montana Code Annotated, Section 7-12-2151 and as set forth in the Resolution of Intention.

In the Resolution of Intention, this Board further found that it is in the public interest, and in the best interest of the County and the District, to secure payment of principal of and interest on the Bond by the Rural Special Improvement District Revolving Fund of the County, on the basis of the factors required to be considered under Section 7-12-2185 of the Act. Those findings are hereby ratified and confirmed. In the Resolution of Intention, the Board of County Commissioners also declared its intention to reimburse the County for costs paid before issuance of its Rural Special Improvement District No. 2506 Bond (the “Bond”), as required by Section 1.150-2 of the Income Tax Regulations promulgated under the Internal Revenue Code.

1.02. Notices. Notice of the passage of the Resolution of Intention was given by two publications, with at least six days between publications, in a qualified newspaper of general circulation in the County, as required by Montana Code Annotated, Sections 7-12-2105 (1) and 7-1-2121. Notice of the passage of the Resolution on Intention was also mailed to all person, firms or corporations or the agents thereof having real property within the District listed in their names upon the last completed assessment roll for state, county and school district taxes, at their last known addresses. The notice described the general character of the Improvements, stated the estimated cost of the Improvements and the method or methods of assessment of such costs against properties in the District, specified the time when and the place where the Board would hear and pass upon all protests made against the making of the Improvements or the creation or extension of the District, referred to the Resolution of Intention as being on file in the office of the County Clerk and Recorder for a description of the boundaries of the District, all in accordance

with the provisions of the Resolution of Intention, and included a statement that, subject to the limitations of Section 7-12-2182 of the Act, the general fund of the County may be used to provide loans to the revolving fund or a general tax levy may be imposed on all taxable property in the County to meet the financial requirements of the revolving fund.

1.03. Creation of District. At the time and place specified in the notice hereinabove described, this Board met to hear, consider and pass upon all protests made against the making of the Improvements and the creation of the District, and, after consideration thereof, it was determined and declared that insufficient protests against the creation of extension of the District or the proposed work had been filed in the time and manner provided by law by the owners of the property to be assessed for the Improvements of the District, and this Board did therefore by Resolution 26-2007, adopted August 14, 2007, created the District and order the proposed Improvements in accordance with the Resolution of Intension. In the resolution creating the District, the Board of County Commissioners also confirmed the findings it made with respect to the pledge of the Revolving Fund in the Resolution of Intention.

1.04. Construction Contracts. Plans, specifications, maps, profiles and surveys for construction of the Improvements were prepared by the engineer acting for the County, and were thereupon examined and approved by this Board. An advertisement for bids for construction of the Improvements was published in the official newspaper of the County in accordance with the provisions of Montana Code Annotated, Section 7-12-2131, after which the bids theretofore received were opened and examined. After referring the bids to the engineers for the County it was determined that the lowest regular proposal for the furnishing of all work and materials required for constructing the Improvements in accordance with the approved plans and specifications was the following:

<u>Work</u>	<u>Bidder</u>	<u>Contract Price</u>
Shaping and base course reconstruction of Big Dipper Drive, drainage improvements, and applying a hard surfacing to consist of a double shot chip seal	Bullock Contracting LLC, Boulder, Montana	\$45,992.00

A contract for the construction of the Improvements has been awarded to said bidder, and the County and the successful bidder have entered into a written contract for construction of the Improvements, at which time the bidder will have executed and filed bonds satisfactory to this Board and in the form and manner provided by Montana Code Annotated, Title 18, Chapter 2, Part 2, as amended.

1.05. Costs. It is currently estimated that the costs and expenses to be assessed against properties benefited by the Improvements, including costs of preparation of plans, specifications, maps, profiles, engineering superintendence and inspection, preparation of assessment rolls, expenses of making the assessments, the cost of work and materials under the construction contract and all other costs and expenses, including the deposit of proceeds in the Revolving Fund, are \$80,000. Such amount will be levied and assessed upon the assessable real property

within the District on the basis described in the Resolution. This Board has jurisdiction and is required by law to levy and assess such amount, to collect such special assessments and credit the same to the rural special improvement district fund created for the District, which fund is to be maintained on the official books and records of the County separate from all other County funds, for the payment of principal and interest when due on the Bond herein authorized.

The Board now estimates the total costs of the Improvements and incidental costs to be as follows:

Construction	\$45,992.00
Preliminary Engineering and Planning	3,500.00
Contingency	9,362.00
County Administration	963.00
Engineering Design/Construction Mgmt	8,183.00
Revolving Fund Deposit	4,000.00
Costs of Issuance	<u>8,000.00</u>
Total	\$80,000.00

1.06. Board of Investments; INTERCAP Revolving Program. Pursuant to Montana Code Annotated, Section 2-15-1808 and Title 17, Chapter 5, Part 16, as amended, and in accordance with the Indenture of Trust, dated as of March 1, 1991 as amended and supplemented (the "Indenture"), between the Board of Investments of the State of Montana (the "Board of Investments") and the U.S. Bank National Association (formerly known as U.S. Bank Trust National Association MT and before that as First Trust Company of Montana National Association), as Trustee (with any successor trustee thereunder), (the "Trustee"), the Board of Investments has established its INTERCAP Revolving Program (the "INTERCAP Program" or "Program") pursuant to which the Board of Investments will issue and remarket, from time to time, its Annual Adjustable Rate Tender Option Municipal Finance Consolidation Act Bonds (INTERCAP Revolving Program) (the "Board Bonds"), for the purpose of making loans to local government units to finance or refinance the acquisition and installation of equipment, personal and real property improvements, to provide temporary financing of projects or for other authorized corporate purposes of a local government unit. All Board Bonds issued under the Indenture are secured equally and ratably thereunder and bear interest at a rate that is adjustable annually, effective for the period commencing on or about February 16 and ending on or about the next succeeding February 15.

1.07. Sale and Issuance of Bond. For the purpose of financing the costs and expenses of making the Improvements, which are to be assessed against the property within the District as provided in the Resolution, this Board hereby authorizes the negotiated sale of the Bond in the principal amount of \$80,000 to the Board of Investments, in accordance with the provisions of Montana Code Annotated, Section 7-12-2172(2), upon the further terms set forth in the resolution. The Board of Investments will fund its purchase of the Bond from the proceeds of a series of Board Bonds or from loan payments made with respect to loans funded from such proceeds. The Bond may bear a variable rate of interest and be sold at a private negotiated sale since the principal amount of the Bond does not exceed \$500,000, and no marketability opinion is required since the principal amount of the Bond does not exceed \$250,000.

1.08. Recitals. All acts, conditions and things required by the Constitution and laws of the State of Montana, including Montana Code Annotated, Title 7, Chapter 12, Part 21, in order to make the Bond a valid and binding special obligation in accordance with its terms and in accordance with the terms of this resolution have been done, do exist, have happened and have been performed in regular and due form, time and manner as so required.

Section 2. The Bond.

2.01. Principal Installments, Maturities, Denominations, Date, Interest Rates. For the purpose of paying the costs and expenses incurred in construction of the Improvements, and in anticipation of the collection of special assessments to be levied therefor, and in accordance with the sale described in Section 1.07, the County shall forthwith issue and deliver to the Board of Investments the Bond payable solely from the Rural Special Improvement District No. 2506 Fund (the "District Fund") and denominated "Jefferson County Rural Special Improvement District No. 2506 Bond."

The Bond shall be in the principal amount of \$80,000, dated, as originally issued, and be registered as of the date of delivery to the Board of Investments, and Principal installments thereof shall be payable on February 15 and August 15 in the years and principal amounts set forth below, and shall bear interest from the date of delivery of the Bond at the rate per annum equal to the Loan Rate (as hereinafter defined), as determined from time to time, for the periods hereinafter described:

Installment No.	Month and Year	Principal Amount	Installment No.	Month and Year	Principal Amount
1	February 15, 2009	\$2,184.50	16	August 15, 2016	\$2,663.32
2	August 15, 2009	1,993.69	17	February 15, 2017	2,709.56
3	February 15, 2010	2,009.22	18	August 15, 2017	2,779.24
4	August 15, 2010	2,078.05	19	February 15, 2018	2,824.62
5	February 15, 2011	2,096.79	20	August 15, 2018	2,897.35
6	August 15, 2011	2,166.05	21	February 15, 2019	2,947.22
7	February 15, 2012	2,188.13	22	August 15, 2019	3,020.52
8	August 15, 2012	2,253.98	23	February 15, 2020	3,075.07
9	February 15, 2013	2,286.98	24	August 15, 2020	3,147.64
10	August 15, 2013	2,353.51	25	February 15, 2021	3,209.55
11	February 15, 2014	2,382.71	26	August 15, 2021	3,282.97
12	August 15, 2014	2,453.33	27	February 15, 2022	3,347.49
13	February 15, 2015	2,486.32	28	August 15, 2022	3,422.72
14	August 15, 2015	2,557.43	29	February 15, 2023	3,492.54
15	February 15, 2016	2,594.38	30	August 15, 2023	3,095.12

Interest on the Bond shall be payable on each February 15 and August 15, commencing February 15, 2009 to the owners of record thereof as such appear on the bond register on the date of payment, whether or not such day is a business day. The Bond shall represent all the principal installments of the issue.

For purposes of this Resolution, "Loan Rate" shall mean, for the period from the date of original registration of the Bond until February 15, 2009, the rate of 4.25% per annum, and, for

each twelve-month or shorter period thereafter during the term of the Bond commencing on February 16 and concluding on February 15 in the next succeeding year, an annual interest rate specified by the Trustee and calculated as provided under the Indenture, which rate generally shall be equal to the sum of (I) the interest rate on the Board Bonds during such period (which interest rate may not exceed fifteen percent (15%) per annum) plus (ii) a rate, not to exceed one and one-half percent (1.50%) per annum, sufficient to produce the amount necessary to pay the County's share of Program Expenses (as hereinafter defined). For purposes of this Section 2.01, "Program Expenses" shall mean the expenses of the Program, including (without limitation) the fees and expenses of the Trustee and such other fees and expenses of the Program or of the Board of Investments relating thereto as shall be approved by the Board of Investments. Under the Indenture, the Trustee is to calculate and notify the County, within 20 days after each March 1, of the interest rate on the Bond for the period commencing on the preceding February 16 through February 15 of the following year.

2.02. Negotiability, Transfer and Registration. The Bond shall be fully registered as to both principal and interest, and shall be initially registered in the name of any payable to the Board of Investments. While so registered, principal of and interest on the Bond shall be payable to the U.S. Bank National Association (formerly known as U.S. Bank Trust National Association MT and before that as First Trust Company of Montana National Association), Corporate Trust Services, 60 Livingston Avenue, St. Paul, MN 55107 or such other place as may be designated by the Board of Investments in writing and delivered to the County. The Bond shall be negotiable, subject to the provisions for registration and transfer contained in this section. No transfer of the Bond shall be valid unless and until (1) the holder, or duly authorized attorney or legal representative, has executed for form of assignment appearing on the Bond, and (2) the County Treasurer of the County or any successor financial institution or trust company which this Commission may appoint to so act as Bond Registrar (the "Registrar"), has duly noted the transfer on the Bond and recorded the Transfer on the registration books of the Registrar. The Registrar may, prior to noting and recording the transfer, require appropriate proof of the transferor's authority and the genuineness of the transferor's signature. All costs of such registration and transfer shall be paid by the County, except that the County may charge the holder for any tax, fee or other governmental charge imposed upon or with respect to the transfer of the Bond. The County shall be entitled to deem and treat the person in whose name the Bond is registered as the absolute owner of the Bond for all purposes, notwithstanding any notice to the contrary, and all payments to the registered holder shall be valid and effectual to satisfy and discharge the County's liability upon such Bond to the extent of the sum or sums so paid.

2.03. Execution and Delivery. The Bond shall be executed on behalf of the County by the manual signatures of the Board Chair, the County Clerk and Recorder, and the County Treasurer. Any or all of such signatures may be affixed at or prior to the date of delivery of the Bond. The Bond shall be sealed with the corporate seal of the County. In the event that any of the officers who shall have signed the Bond shall cease to be officers of the County before the Bond is issued or delivered, their signatures shall remain binding upon the Borrower. Conversely, the Bond may be signed by an authorized official who did not hold such office on the date of adoption of this Resolution. The Bond shall be delivered to the Board of Investments, or its attorney or legal representative. The Bond shall be registered in the office of the County Clerk and Recorder and the County Treasurer.

2.04. Prepayment; when Mandatory Redemption Required. The principal installments of the Bond are subject to mandatory redemption in order of registration on any interest payment date if, after paying all principal and interest then currently due on the Bond, there are monies available in or to the credit of the District Fund of the County, either from the prepayment of assessments levied in the District or from surplus proceeds of the Bond not required to pay costs of the Improvements, for the redemption thereof, and in the manner provided for the redemption of the same. The principal installments of the Bond are subject to redemption at the option of the County from other sources of funds available therefor on any interest payment date. The redemption price is equal to the amount of the principal installment or installments of the Bond to be redeemed plus interest accrued thereon to the date of redemption, without permission. The date of redemption shall be fixed by the County Treasurer, who shall give notice by first class mail, postage prepaid, to the owner or owners of the Bond at their address shown on the bond register, of the numbers of the principal installments to be redeemed and the date on which payment will be made, which date shall not be less than ten days after the date of mailing of notice, on which date so fixed interest shall cease. On the date so fixed interest on the principal installments of the Bond so redeemed shall cease to accrue.

2.05. Form. The Bond shall be drawn in substantially the form set forth in Exhibit A hereto, and by the reference made a part hereof, with such modifications as are permitted by the Act.

Section 3. District Fund; Maintenance Fund; Assessments.

3.01. District Fund. There is hereby created and established the District Fund designated as the "Rural Special Improvement District No. 2506 Fund," which shall be maintained by the County Treasurer on the book and records of the County separate and apart from all other funds of the County. Within the District Fund there shall be maintained three separate accounts, designated as the "Construction Account," "Principal Account" and "Interest Account", respectively.

3.02. Construction Account. There shall be credited to the Construction Account certain proceeds of the sale of the Bond. Any earning on investment of money in the Construction Account shall be retained therein. All costs and expenses of construction the Improvements to be paid from proceeds of the Bond shall be paid from time to time as incurred and allowed from the Construction Account in accordance with the provisions of applicable law, and any money in the Construction Account shall be used for no other purpose; provided that upon completion of the Improvements and after all claims and expenses with respect to the Improvements have been fully paid and satisfied, any money remaining in the Construction Account shall be transferred to the Principal Account and used to redeem the Bond.

3.03. Principal Account and Interest Account. Money in the Principal Account and the Interest Account shall be used only for payment of the principal of and interest on the Bond as such payments become due or to redeem prior installments of the Bond.

Upon collection of the installment of principal and interest due on November 30 and May

31 of each fiscal year on the special assessments to be levied with respect to the Improvements , the County Treasurer shall credit to the Interest Account so much of said special assessments as is collected as interest and the balance thereof to the Principal Account. Any installment of any special assessment paid prior to its due date with interest accrued thereon to the next succeeding interest payment date shall be credited with respect to principal and interest payments in the same manner as other assessments are credited to the District Fund. All money in the Interest Account and the Principal Account shall be used first to pay interest due, and any remaining money shall be used to pay the Bond then due and, if money is available, to redeem the Bond or principal installments thereof in accordance with Section 2.04. Redemption of the Bond shall be in order of the principal installments, and interest shall be paid as accrued thereon to the date of redemption, in accordance with the provisions of Montana Code Annotated, Section 7-12-2174.

3.04. Loans from Revolving Fund. The Board shall annually or more often if necessary issue an order authorizing a loan or advance from the Revolving Fund of the County to the District Fund in an amount sufficient to make good any deficiency then existing in any Interest Account and shall issue an order authorizing a loan or advance from the Revolving Fund to the District Fund in an amount sufficient to make good any deficiency then existing in the Principal Account in such order and in each case to the extent that money is available in the Revolving Fund. A deficiency shall be deemed to exist in the Principal Account or the Interest Account if the money on deposit therein on any February 1 or August 1 (excluding amounts in the Principal Account representing prepaid special assessments) is less than the amount necessary to pay principal of the Bond due, and interest on the Bond payable, on the next succeeding interest payment date.

Pursuant to Resolution No. 17-2007 adopted on July 3, 2007, the County has undertaken and agreed to provide funds for the Revolving Fund by levying such tax or making such loan from the General Fund as authorized by Montana Code Annotated, Section 7-12-2182. In the event that the balance on hand in the Revolving Fund fifteen days prior to any date when interest is due on rural improvement district bonds or warrants of the County is not sufficient to make good all deficiencies then existing in the rural improvement district fund for which the County has covenanted to make loans from the Revolving Fund, then, pursuant to Montana Cost Annotated, Section 7-12-2183, the balance on hand in the Revolving Fund shall be allocated to the funds of the rural improvement district bonds or warrants of the County has been paid. On any date when all accrued interest on rural improvement district bonds and warrants of the County payable from funds for which the County has covenanted to make loans from the Revolving Fund has been paid, any balance remaining in the Revolving Fund shall be lent or advanced to the rural improvement district fund for payment and redemption of bonds to the extent the district funds are deficient for such purpose, and, if money in the Revolving Fund is insufficient therefor, pro rata, in an amount proportionate to the amount of such deficiency.

The County hereby determines, covenants and agrees to levy the property tax described in the immediately preceding paragraph to provide funds for the Revolving Fund so long as any bonds are outstanding to the extent required under the provisions of the Resolution and the Act, even though such property tax levy may, under applicable law, require that property tax levies of the County for other purposes be reduced correspondingly.

3.05. District Maintenance Fund. Pursuant to the Resolution of Intention and the resolution creating the District, Maintenance District No. 2507 was created coextensive with the boundaries of the District for the purpose of providing a mechanism to pay the costs of maintaining the Improvements. There is hereby created and established the District Maintenance Fund designated as the "Rural Special Improvement District No. 2507 Maintenance Fund," which shall be maintained by the County Treasurer on the books and records of the County separate and apart from all other funds of the County. The District Maintenance Fund will be funded by special assessments as described in Section 4.03 below.

Section 4. Covenants and Representations. The County covenants and agrees with the owners from time to time of the Bond that until the Bond and interest thereon are fully paid:

4.01. Compliance with the Resolution. The County will hold the District Fund and the Revolving Fund as trust funds, separate and apart from all of its other funds, and the County, its officers and agents, will comply with all covenants and agreements contained in this resolution. The provisions hereinabove made with respect to the District Fund and the Revolving Fund are in accordance with the undertaking and agreement of the County made in connection with the sale of the Bonds as set forth in Section 1.07.

4.02. Construction of Improvements. The County will take all steps necessary to enforce the provisions of the construction contracts and bonds relating to the Improvements and to ensure the completion of the Improvements for the benefit of the District in accordance with the plans and specifications and within the time therein provided, and will pay all costs thereof promptly as incurred and allowed, out of the District Fund. All awards of contracts will comply with the applicable bid and award statutes.

4.03. Levy of Assessments.

(1) Debt Service on Bond. The County will do all acts and things necessary for the final and valid levy of special assessments upon all assessable real property within the boundaries of the District in accordance with the Constitution and laws of the State of Montana and the Constitution of the United States in an aggregate principal amount not less than the original principal amount of the Bond. Such special assessments shall be levied on the basis prescribed in the Resolution of Intention and shall be payable in semiannual installments during the term of the Bond. Each special assessment shall bear interest on the whole amount remaining unpaid at an annual rate equal to the sum, determined as of the date an installment of the special assessment is levied each fiscal year, of: (i) the then current Loan Rate, plus (ii) one percent (1.00%) per annum, plus (iii) if and to the extent that the Loan Rate is then less than fifteen percent (15.00%) per annum (the maximum payable rate on the Bond), an additional one percent (1.00%) per annum, interest being payable with principal installments. The assessments to be levied will be payable on the 30th day of November in each of the years 2008 through 2022, and on the 31st day of May in each of the years 2009 through 2023, inclusive, if not theretofore paid, shall become delinquent on such date unless paid in full. The first partial payment of each assessment shall include interest on the entire assessment from the date of original registration of the Bond to February 15, 2009 and each subsequent partial payment shall include interest for six months on that payment and the then remaining balance of the special assessment. The assessments shall

constitute a lien upon and against the property against which they are made and levied, which lien may be extinguished only by payment of the assessment with all penalties, cost and interest as provided in Montana Code Annotated, Section 7-12-2168. No tax deed issued with respect to any lot or parcel of land shall operate as payment of any installment of the assessment thereon which is payable after the execution of such deed, and any tax deed so issued shall convey title subject only to the lien of said future installments, as provided in Montana Code Annotated, Section 15-18-214.

(2) Maintenance. The Board ratifies and affirms its determination made in the Resolution of Intention to assess initially \$76 per lot, tract or parcel in the District for the first fiscal year of the District in which assessments are due and owing. Special assessments collected for maintenance shall be deposited in the District Maintenance Fund and applied to the costs of maintaining the Improvements. Each year the County will determine the annual costs for the maintenance of the Improvements and may adjust the annual maintenance assessment in accordance with Section 7-12-2126, MCA, after a public hearing.

4.04. Reassessment. If at any time and for whatever reason any special assessment or tax herein agreed to be levied is held invalid, the County and this Board, its officers and employees, will take all steps necessary to correct the same and to reassess and re-levy the same, including the ordering of work, with the same force and effect as if made at the time provided by law, ordinance or resolution relating thereto, and will reassess and re-levy with the same force and effect as an original levy thereof, as authorized in Montana Code Annotated, Section 7-12-2165. Any special assessment, upon reassessment or re-levy shall, so far as is practicable, be levied and collected as it would have been if the first levy had been enforced including the levy and collection of any interest accrued on the first levy.

If proceeds of the Bond, including investment income thereon, are applied to the redemption of such Bond, as provided in Montana Code Annotated, Sections 7-12-2173 and 7-12-2174, or if refunding bonds are issued and the principal amount of the outstanding Bond of the District is decreased or increased, the County will reduce or increase, respectively, the assessments levied in the District and then outstanding pro rata by the principal amount of such prepayment or the increment above or below the outstanding principal amount of bonds represented by the refunding bonds. The County and this Board, its officers and employees will reassess and re-levy such assessments, with the same effect as an original levy, in such reduced or increased amounts in accordance with the provisions of Montana Code Annotated, Sections 7-12-2158 and 7-12-2159.

4.05. Absence of Litigation. There is now no litigation pending or, to the best knowledge of the County, threatened questioning the validity or regularity of the creation of the District, or the undertaking and agreement of the County to levy special assessments therefore and to make good any deficiency in the collection thereof through the levy of taxes for and the making of advances from the Revolving Fund, or the right and power of the County to issue the Bond or in any manner questioning the existence of any condition precedent to the exercise of the County's powers in these matters. In any such litigation should be initiated or threatened, the County will forthwith notify in writing the Board of Investments, and will furnish the Board of Investments a copy of all documents, including pleadings, in connection with such litigation.

4.06. Waiver of Penalty and Interest. The County covenants not to waive the payment of penalty or interest on delinquent assessments levied on property in the District for costs of the Improvements, unless the County determines, by resolution of the Board of County Commissioners, that such waiver is in the best interest of the owners of the outstanding Bond.

Section 5. Mandatory Contribution to Revolving Fund. As provided in Montana Code Annotated, Section 7-12-2182, the County must provide an amount equal to 5% of the principal amount of any bonds or warrants to be issued if the bonds or warrants are secured by the Revolving Fund. The County will deposit \$4,000 from the proceeds of the Bond into the Revolving Fund.

Section 6. Tax Matters.

6.01. Use of Improvements. The Improvements will be owned and operated by the County and available for use by members of the general public on a substantially equal basis. The County shall not enter into any lease, use or other agreement with any non-governmental person relating to the use of the Improvements or security for the payment of the Bond which might cause the Bond to be considered "private activity bonds" or "private loan bonds" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended (the "Code").

6.02. General Covenant. The County covenants and agrees with the owners from time to time of the Bond that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Bond to become includable in gross income for federal income tax purposes under the Code and applicable Treasury Regulations (the "Regulations"), and covenants to take any and all actions within its powers to ensure that the interest on the Bond will not become includable in gross income for federal income tax purposes under the Code and the Regulations.

6.03. Arbitrage Certification. The Chair of the Board, the County Clerk and Recorder and the County Treasurer, being the officers of the County charged with the responsibility for issuing the Bond pursuant to this resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with the provisions of Section 148 of the Code, and Section 1.148-2(b) of the Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Bond, it is reasonably expected that the proceeds of the Bond will be used in a manner that would not cause the Bond to be "arbitrage bonds" within the meaning of Section 148 of the Code and the Regulations.

6.04. Arbitrage Rebate Exemption.

(a) The County hereby represents that the Bond qualifies for the exception for small governmental units to the arbitrage rebate provisions contained in Section 148(f) of the Code. Specifically, the County represents:

- (1) Substantially all (not less than 95%) of the proceeds of the Bond (except for amounts to be applied to the payment of costs of issuance or representing accrued interest) will be

used for local governmental activities of the County.

(2) The aggregate face amount of all “tax-exempt bonds” (including warrants, contracts, leases and other indebtedness, but excluding private activity bonds and current refunding bonds) issued by or on behalf of the County and all subordinate entities thereof during 2008 is not reasonably expected to exceed \$5,000,000. The date in 2008, County has issued no such tax-exempt bonds, and in the calendar years 2003 through 2007, the County issued no such tax-exempt bonds, except its \$537,000 Rural Special Improvement District No. 2505 Bonds and its \$783,000 Rural Special Improvement District No. 2503 Bonds.

(b) If notwithstanding the provisions of paragraph (a) of this Section 6.04, the arbitrage rebate provisions of Section 148 (f) of the Code apply to the Bond, the County hereby covenants and agrees to make the determinations, retain records and rebate to the United States the amounts at the times and in the manner required by said Section 148(f).

6.05. Information Reporting. The County shall file with the Secretary of the Treasury, not later than November 15, 2008 or such later date as prescribed by the Code, a statement concerning the Bond containing the information required by Section 149(e) of the Code.

6.06. “Qualified Tax-Exempt Obligations”. Pursuant to Section 265(b)(3)(B)(ii) of the Code, the County hereby designates the Bond as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code. The County has not designated any obligations in 2008 other than the Bond under Section 265(b)(3). The County hereby represents that it does not anticipate that obligations bearing interest not includable in gross income for purposes of federal income taxation under Section 103 of the Code (including refunding obligations as provided in Section 265(b)(3) of the Code and including “qualified 501(c)(3) bonds” but excluding other “private activity bonds,” as defined in Sections 141(a) of the Code) will be issued by or on behalf of the County and all “subordinate entities” of the County in 2008 in an amount greater than \$10,000,000.

Section 7. Authentication of Transcript. The Officers of the County are hereby authorized and directed to furnish to the Board of Investments and to bond counsel certified copies of all proceedings relating to the issuance of the Bond and such other certificates and affidavits as may be required to show the right, power and authority of the County to issue the Bond, and all statements contained in and shown by such instruments, including any heretofore furnished, shall constitute representations of the County as to the truth of the statements purported to be shown thereby.

Section 8. Discharge. When the liability of the County on the Bond has been discharged as provided in Section 2, all pledges, covenants and other rights grants by this resolution to the owners of the Bond shall cease.

Section 9. Repeals and Effective Date.

9.01. Repeal. All provisions of other resolutions and other actions and proceedings of Resolution 33-2008 Relating to \$80,000 RSID Bond

the County and this Board that are in any way inconsistent with the terms and provisions of this resolution are repealed, amended and rescinded to the full extent necessary to give full force and effect to the provisions of this resolution.

9.02. Effective Date. This resolution shall take effect immediately upon its passage and adoption by this Board.

PASSED AND ADOPTED by the Board of County Commissioners of Jefferson County, Montana, this 19th day of August, 2008.

ATTEST:

BONNIE RAMEY
CLERK AND RECORDER

KEN WEBER, CHAIR

TOMAS E. LYTHGOE, COMMISSIONER

CHUCK NOTBOHM, COMMISSIONER

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MONTANA

JEFFERSON COUNTY

RURAL SPECIAL IMPROVEMENT
DISTRICT NO. 2506 BOND

Interest at the rate per annum specified below
Payable February 15, 2009 and
semiannually thereafter
on the 15th day of February and the 15th day of August in each year

No. R-1		\$80,000
	Final	
	Maturity	Date of
Rate	Date	Original Issue
Variable	August 15, 2023	_____, 2008

REGISTERED OWNER:

BOARD OF INVESTMENTS

PRINCIPAL AMOUNT:

EIGHTY THOUSAND DOLLARS

Jefferson County, Montana, through the County Treasurer, will pay to the Board of Investments of the State of Montana, or registered assigns, on the maturity date specified above the principal amount of EIGHTY THOUSAND DOLLARS (\$80,000), in principal installments on each February 15 and August 15 in the years and in the principal amounts set forth below, solely from the revenues hereinafter specified, as authorized by Resolution 33-2008 adopted August 19, 2008 (the "Resolution"), all subject to the provisions hereinafter described relating to the redemption of this Bond before maturity:

[See principal installment schedule on following page]

Installment No.	Month and Year	Principal Amount	Installment No.	Month and Year	Principal Amount
1	February 15, 2009	\$2,184.50	16	August 15, 2016	\$2,663.32

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2	August 15, 2009	1,993.69	17	February 15, 2017	2,709.56
3	February 15, 2010	2,009.22	18	August 15, 2017	2,779.24
4	August 15, 2010	2,078.05	19	February 15, 2018	2,824.62
5	February 15, 2011	2,096.79	20	August 15, 2018	2,897.35
6	August 15, 2011	2,166.05	21	February 15, 2019	2,947.22
7	February 15, 2012	2,188.13	22	August 15, 2019	3,020.52
8	August 15, 2012	2,253.98	23	February 15, 2020	3,075.07
9	February 15, 2013	2,286.98	24	August 15, 2020	3,147.64
10	August 15, 2013	2,353.51	25	February 15, 2021	3,209.55
11	February 15, 2014	2,382.71	26	August 15, 2021	3,282.97
12	August 15, 2014	2,453.33	27	February 15, 2022	3,347.49
13	February 15, 2015	2,486.32	28	August 15, 2022	3,422.72
14	August 15, 2015	2,557.43	29	February 15, 2023	3,492.54
15	February 15, 2016	2,594.38	30	August 15, 2023	3,095.12

Unpaid principal installments of this Bond shall bear interest from the date of delivery of the Bond at the rate per annum equal to the Loan Rate (as hereinafter defined), as determined from time to time, for the periods hereinafter described. Interest shall be payable on each February 15 and August 15, commencing February 15, 2009, to the owners of record of this Bond as such appear on the bond register on the date of payment, whether or not such day is a business day. This Bond represents all the principal installments of the issue. Principal installments of the issue are numbered from 1 through 30, each in the amount described in the schedule above.

For purposes of this Bond, "Loan Rate" shall mean, for the period from the date of original registration of the Bond until February 15, 2009, the rate of 4.25% per annum, and, for each twelve-month or shorter period thereafter during the term of this Bond commencing on February 16 and concluding on February 15 in the next succeeding year an annual interest rate specified by the Trustee and calculated as provided under the Indenture (each as defined in the Resolution), which rate generally shall be equal to the sum of (I) the interest rate on the Board Bond (as defined in the Resolution) during such period which interest rate may not exceed fifteen percent (15%) per annum plus (ii) a rate, not to exceed one and one-half percent (1.50%) per annum, sufficient to produce the amount necessary to pay the County's share of Program Expenses (as defined in the Resolution). The principal of and interest on this Bond are payable in lawful money of the United States of America.

This Bond comprises an issue in the aggregate principal amount of \$80,000 and is issued pursuant to and in full conformity with the Constitution and laws of the State of Montana thereunto enabling, including Montana Code Annotated, Title 7, Chapter 12, Part 21, to finance the costs of certain local improvements (the "Improvements") for the special benefit of property located in Rural Special Improvement District No. 2506 of the County (the "District"). Reference is made to the Resolution for a more complete statement of the terms and conditions upon which this Bond has been issued. The Bond is issuable only as a single, fully registered bond.

This Bond is payable from the collection of a special tax or assessment levied upon all assessable real property within the boundaries of the District, in an aggregate principal amount of not less than \$80,000, except as such amount may be reduced or increased in accordance with provisions of Montana law. Such assessments constitute a lien against the assessable real estate

within the District, and this Bond is not a general obligation of the County.

The County has also validly established a Rural Special Improvement District Revolving Fund (the "Revolving Fund") to secure the payment of certain of its rural special improvement district bonds, including the Bond. The County has also agreed, to the extent permitted by the Act, to issue orders annually authorizing loans or advances from the Revolving Fund to the District Fund, in amounts sufficient to make good any deficiency in the District Fund to pay principal of or interest on the Bond, to the extent that funds are available in the Revolving Fund, and to provide funds for the Revolving Fund by annually making a tax levy or loan from its general fund in an amount sufficient for that purpose, subject to the limitation that no such tax levy or loan may in any year cause the balance in the Revolving Fund to exceed five percent of the principal amount of the County's then outstanding rural special improvements district bonds secured thereby and the durational limitations specified in the Act. While any property tax levy to be made by the County to provide funds for the Revolving Fund is subject to levy limits under current law, the County has agreed in the Resolution to levy property taxes to provide funds for the Revolving Fund to the extent described in this paragraph and, if necessary, to reduce other property tax levies correspondingly to meet applicable levy limits.

The principal installments of this Bond are subject to mandatory redemption in order of registration on any interest payment date if, after paying all principal and interest then currently due on this Bond, there are monies available in or to the credit of the Rural Special Improvement District No. 2506 Fund of the County, either from the prepayment of assessments levied in the District or from surplus proceeds of the Bond not required to pay costs of the Improvements, for the redemption thereof, and in the manner provided for the redemption of the same. The principal installments of this Bond are subject to redemption at the option of the County from other sources of funds available therefor on any interest payment date. The redemption price is equal to the amount of the principal installment or installments of the Bond to be redeemed plus interest accrued thereon to the date of redemption, without premium. The date of redemption shall be fixed by the County Treasurer, who shall give notice by first class mail, postage prepaid, to the owner or owners of this Bond at their addresses shown on the bond register, of the numbers of the principal installments to be redeemed and the date on which payment will be made, which date shall not be less than ten days after the date of mailing of notice, on which date so fixed interest shall cease. On the date so fixed interest on the principal installments of this Bond so redeemed shall cease to accrue.

The Bond has been designated by the County as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all things required to be done precedent to the issuance of this Bond have been properly done,

happened and been performed in the manner prescribed by the laws of the State of Montana and the resolutions and ordinances of Jefferson County, Montana, relating to the issuance thereof.

IN WITNESS WHEREOF, Jefferson County, Montana, by its Board of County

Resolution 33-2008 Relating to \$80,000 RSID Bond

Commissioners, has caused this Bond to be executed by the signatures of the Chair of the Board of County Commissioners and the County Clerk, and the County Treasurer, and by the official seal of the County.

(Facsimile Signature)
Chair, Board of County Commissioners

(Facsimile Signature)
County Clerk and Recorder

(Seal)

(Facsimile Signature)
County Treasurer

Dated:

CERTIFICATE OF REGISTRATION

This Bond and the principal installments hereof have been registered as required by law on the books of the County as of the ____ day of _____, 2008.

County Treasurer

REGISTRATION AND TRANSFER

This Bond shall be fully registered as to both principal and interest. No transfer of this Bond shall be valid unless and until (1) the registered holder of the Bond, or his duly authorized attorney or legal representative, executes the form of assignment appearing on this Bond, and (2) the County Treasurer, or any successor appointed by the County, as bond registrar (the "Registrar"), has duly noted the transfer on the Bond and recorded the transfer on the Registrar's registration books. The County shall be entitled to deem and treat the person in whose name this Bond is registered as absolute owner thereof for all purposes, notwithstanding any notice to the

contrary. Payments on account of the Bond shall be made only to the order of the registered holder thereof, and all such payments shall be valid and effectual to satisfy and discharge the County's liability upon the Bond to the extent of the sum or sums so paid.

THE FOLLOWING ENTRIES ARE TO BE MADE ONLY BY THE BOND
REGISTRAR UPON REGISTRATION OF EACH TRANSFER

The County Treasurer of Jefferson County, Montana, or any successor appointed by the County, acting as Bond Registrar, has transferred, on the books of the County, on the date last noted below, ownership of the principal amount of and the accrued interest on this Bond to the new registered holder noted next to such date, except for amounts of principal and interest theretofore paid.

<u>Date of Transfer</u>	<u>Name of New Registered Holder</u>	<u>Signature of Bond Registrar</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

FORM OF ASSIGNMENT

For value received, this Bond is hereby transferred and assigned by the undersigned holder, without recourse, to _____ on this ____ day of _____, _____.

By: _____
(authorized signature)

For: _____
(Holder)